

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2,176.13	(18.35)	16.38	2,174.16	41.93	20.50	2,238.56	2,238.56
Personal Services	103,543,485	8,477,184	4,138,895	116,159,564	10,066,661	9,464,516	123,074,662	239,234,226
Operating Expenses	361,067,272	34,408,662	15,880,767	411,356,701	43,739,445	4,669,821	409,476,538	820,833,239
Equipment	1,456,438	62,000	1,453,254	2,971,692	62,000	67,244	1,585,682	4,557,374
Capital Outlay	15,533,494	516,663	0	16,050,157	516,663	0	16,050,157	32,100,314
Local Assistance	95,225	0	0	95,225	0	0	95,225	190,450
Grants	9,014,582	1,786,343	0	10,800,925	753,343	0	9,767,925	20,568,850
Transfers	18,221	0	0	18,221	0	0	18,221	36,442
Debt Service	750	0	0	750	0	26,000	26,750	27,500
<b>Total Costs</b>	<b>\$490,729,467</b>	<b>\$45,250,852</b>	<b>\$21,472,916</b>	<b>\$557,453,235</b>	<b>\$55,138,112</b>	<b>\$14,227,581</b>	<b>\$560,095,160</b>	<b>\$1,117,548,395</b>
State/Other Special	237,162,066	(372,737)	4,623,308	241,412,637	1,548,372	6,832,627	245,543,065	486,955,702
Federal Special	253,567,401	45,623,589	16,849,608	316,040,598	53,589,740	7,394,954	314,552,095	630,592,693
<b>Total Funds</b>	<b>\$490,729,467</b>	<b>\$45,250,852</b>	<b>\$21,472,916</b>	<b>\$557,453,235</b>	<b>\$55,138,112</b>	<b>\$14,227,581</b>	<b>\$560,095,160</b>	<b>\$1,117,548,395</b>

**Agency Description**

The Department of Transportation is responsible for serving the public by establishing and maintaining a transportation system that emphasizes safety, environmental preservation, cost-effectiveness, and quality.

**Agency Highlights**

Department of Transportation Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ Total fund budget increases \$136.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Increased funding for federal-aid highway construction related project costs in anticipation of higher federal funding (\$81.3 million)</li> <li>• Federal earmark projects (\$15.6 million)</li> <li>• Pay plan adjustments (\$11.4 million)</li> <li>• Transferring the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice (\$2.7 million)</li> <li>• Increased funding for maintenance of rest areas and newly assumed secondary roads (\$1.3 million)</li> <li>• Computer system enhancements and reprogramming (\$924,000)</li> <li>• New costs to operate a joint port-of-entry with Wyoming (\$690,000)</li> <li>• Replacement and upgrades for remote weather site and communications equipment (\$460,000)</li> <li>• Purchase of a replacement aircraft (\$388,000)</li> <li>• Transportation corridor studies (\$375,000)</li> <li>• Transit facility and vehicle grants (\$312,000)</li> </ul> </li> <li>◆ 62.43 FTE will be added by the end of the biennium for: <ul style="list-style-type: none"> <li>• 6.00 FTE associated with a long-term project to integrate agency management systems</li> <li>• 2.00 FTE traffic engineers to address workload issues</li> <li>• 39.93 FTE in FY 2007 associated with planned federal-aid construction projects</li> </ul> </li> </ul>	

- 12.50 FTE associated with transferring MCSAP from the Department of Justice
- 2.00 FTE civil engineers to perform bridge inspections
- ◆ Federal highway funding is uncertain - federal funding was estimated based on progress made during the 2004 U.S. Congress
- ◆ Funding for Highway 93 reconstruction is included in HB 5

### Summary of Legislative Action

The legislative budget for total funds is an increase of \$136.1 million more for the biennium over the base of \$490.7 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$11.4 million of the total fund increase for the biennium. The legislative budget includes the following:

- Funding of a federal-aid construction plan that assumes maximum expenditure of future federal highway funding at levels projected in federal highway funding legislation currently expired but being considered by the U.S. Congress for reauthorization, including federal earmarked projects identified for Montana
- Funding for a project to reconstruct and realign U.S. Highway 93 from Evaro Hill to Polson (funding in HB 5)
- Transferring the Motor Carriers Safety Assistance Program (MCSAP) to the department from the Department of Justice as a result of passage and approval of SB 459
- Computer system enhancements and reprogramming for long-term projects to integrate department automated resource management systems and to address legislative changes
- Appropriations of highways state special revenue account that, if fully expended, would deplete the account by the end of the 2007 biennium

### Agency Discussion

#### *Working Capital Projections*

After legislative action, the revised analysis of the highways state special revenue account (HSSRA) projects that the working capital balance of the account would be depleted by the end of FY 2007. Imbalances where expenditures exceed revenues would continue to adversely impact the account in subsequent years. These estimates are based on the budget as approved by the legislature, and assume revenue estimates adopted in HJ 2 for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for FY 2005 and the 2007 biennium. The impacts of the statewide pay plan (HB 447 of the 2005 Legislature) for the transportation and justice departments are included. Expenditure estimates for the 2009 and 2011 biennia are FY 2007 appropriations, inflated by 3 percent as appropriate. The annual growth rate used in the HJ 2 revenue estimates was applied to the FY 2007 revenue estimate to project the 2009 and 2011 biennia revenues.

Figure 1  
Working Capital Analysis - Highways State Special Revenue Account  
Fiscal Years 2004 - 2011 Legislative Budget  
(in Millions)

Description	Fiscal 2004 Actual	Fiscal 2005 Approp.	Fiscal 2006 Estimate	Fiscal 2007 Estimate	Fiscal 2008 Estimate	Fiscal 2009 Estimate	Fiscal 2010 Estimate	Fiscal 2011 Estimate
Beginning Working Capital Balance	\$63.4	\$39.1	\$42.6	\$17.2	-\$11.2	-\$32.0	-\$55.2	-\$80.6
Revenues								
Gasoline tax	127.0	127.6	128.2	128.8	129.3	129.9	130.5	131.1
Diesel tax	60.8	63.3	65.9	68.7	71.5	74.5	77.7	80.9
Gross vehicle weight fees (GVW)	26.3	26.7	27.0	27.4	27.4	27.4	27.4	27.4
Indirect cost recovery (federal aid)	34.0	33.4	34.5	35.1	37.0	43.4	43.4	43.4
General fund transfer	0.0	0.0	3.1	3.1	3.1	3.2	3.2	3.3
Other revenues	7.9	4.5	3.9	3.9	3.9	3.9	3.9	3.9
Revenue deductions								
Alcohol production incentives (15-70-522, MCA)	0.0	0.0	-3.0	-6.0	-6.0	-6.0	-6.0	-6.0
Total Revenues	\$256.0	\$255.4	\$259.6	\$260.9	\$266.3	\$276.3	\$280.1	\$283.9
Expenditures								
Department of Transportation (DOT) [includes HB 447, pay plan]								
General Operations Program	19.7	20.3	19.6	20.0	20.6	21.2	21.9	22.5
Construction Program (federal aid program match)	70.2	63.9	65.1	67.8	69.9	72.0	74.1	76.4
Construction Program (state funded program - maintenance of effort)	10.0	8.1	10.0	10.0	10.0	10.0	10.0	10.0
Construction Program (state funded program - offset indirect cost impacts)	46.9	30.1	44.2	44.7	37.0	43.4	43.4	43.4
Maintenance Program	83.6	79.0	91.9	93.6	96.4	99.3	102.3	105.4
Motor Carriers Services	5.1	5.4	6.0	6.2	6.4	6.6	6.8	7.0
Transportation Planning	1.1	1.9	2.1	2.1	2.1	2.2	2.3	2.3
Total Department of Transportation	236.6	208.6	238.8	244.5	242.5	254.7	260.8	267.0
Statutory Appropriations	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8
Rail Service Competition Council (HB 769, 2005 Legislature)			0.1	0.1				
Department of Justice (DOJ) [includes HB 447, pay plan]	23.2	24.0	26.0	24.6	24.6	24.6	24.6	24.6
Long-Range Building Program								
Maintenance and repair of MDT buildings	3.7	1.7	2.5	2.5	2.5	2.5	2.5	2.5
Department of Fish, Wildlife & Parks	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Long-Range Building Program	4.2	2.4	3.3	3.3	3.3	3.3	3.3	3.3
Transfer for noxious weeds (80-7-823, MCA)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditures	\$280.9	\$252.0	\$285.0	\$289.3	\$287.2	\$299.5	\$305.5	\$311.7
Revenues less expenditures	-24.8	3.5	-25.4	-28.3	-20.9	-23.1	-25.4	-27.8
Adjustments	0.5							
Ending Working Capital Balance	\$39.1	\$42.6	\$17.2	-\$11.2	-\$32.0	-\$55.2	-\$80.6	-\$108.4

### Highways State Special Revenue Account Stability

Figure 1 illustrates the analysis of the account and shows projections for revenues, expenditures, and working capital. The analysis is based on the assumption that all appropriations would be expended fully. The figure shows a significant imbalance between revenues and expenditures of more than \$20 million each fiscal year. The projected imbalances would deplete the available working capital of the account. Future legislatures may be faced with making policy decisions on highway funding, which could include among others:

- Expenditure reductions
- Revenue enhancements
- Turning back a portion of the federal funding

### Reauthorization of Federal-Aid Highway Funding

The department receives federal-aid highway funding from the Federal Highway Administration (FHWA), typically from authorizations in six-year funding bills. The previous six-year federal funding bill for highways was titled the Transportation Equity Act for the 21st Century (TEA-21) and ended on September 30, 2003. Congress has not passed a new multi-year reauthorization, but has continued to authorize federal aid funding for highways through extensions of TEA-21, with the last of six extensions ending after the 2005 Legislature adjourns. Because no highway funding bill has passed the U.S. Congress, the legislature approved a budget for a federal-aid highway construction program that is based

on estimates resulting from funding formulas contained in the latest versions of federal highway funding legislation of the 108<sup>th</sup> Congress (2<sup>nd</sup> Session) for 2004.

When TEA-21 was enacted, the annual allotment of federal funds for Montana grew by more than \$80 million compared to what Montana received under the previous federal highway funding law. If Montana's allotment of federal-aid highway construction funds grows as it did when TEA-21 was enacted, Montana will have to match the greater federal funds with more state funds. The potentially higher state match could impact how HSSRA funds are allocated to state uses and could deepen the instability of the account. The uncertainty of federal-aid highway funding results in a significant portion of the department budget being based on speculation and the best guess of what future program expenditures would be.

The uncertainty of federal funding also raises a concern that the department's budget may not be appropriate for the department to meet previous policy directions to fully expend all available federal-aid highway funds if Montana's allocation of funding increases above the assumptions used to develop the budget. However, inherent delays between federal apportionment increases and expenditures would lessen the impact from receiving significant funding increases after the legislature adjourns. Delays between federal apportionment increases and expenditure increases are due to two factors:

- Planning and programming for highway projects
- Timing of payments to highway construction contractors because of the mixture of long-term and short-term duration projects

When federal funding is increased, it generally takes time to realign the highway construction plan documents to incorporate the changes so they meet system needs and public preferences, while adhering to financial districting laws and project funding constraints. Also, highway construction plans include a mixture of short-term and long-term projects with varying cash payout patterns. Long-term projects, such as major reconstruction or interchange installations, are paid out over a number of fiscal years, while pavement or other less complex projects would experience a shorter pay out schedule. With the uncertainty in the level of federal funding and the uncertainty of timing of these impacts, it leaves an unclear and tenuous budget picture.

### Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget				
Agency Program	State Spec.	Fed Spec.	Grand Total	Total %
01 General Operations Program	\$ 39,567,600	\$ 1,662,772	\$ 41,230,372	3.69%
02 Construction Program	241,763,465	590,637,370	832,400,835	74.48%
03 Maintenance Program	185,570,437	15,638,195	201,208,632	18.00%
22 Motor Carrier Services Div.	12,185,259	2,450,000	14,635,259	1.31%
40 Aeronautics Program	3,175,614	3,123,629	6,299,243	0.56%
50 Transportation Planning Divisi	4,693,327	17,080,727	21,774,054	1.95%
Grand Total	<u>\$ 486,955,702</u>	<u>\$ 630,592,693</u>	<u>\$1,117,548,395</u>	<u>100.00%</u>

### Other Legislation

Senate Bill 255 – SB 255 revised airport zoning laws and affects state-owned airports at Lincoln and West Yellowstone. The fiscal note for SB 255 identified a \$7,500 impact on HB 2 funding, but indicated that the legislative budget is adequate to address the fiscal impacts. SB 255 has become law.

Senate Bill 459 – SB 459 moved the responsibility for the Motor Carrier Safety Assistance Program from the Department of Justice to the department to consolidate the function within one responsible organization. The legislature transferred the funding and FTE within HB 2 to implement the transfer. SB 459 has become law, but isn't effective until October 1, 2005.

House Bill 5 – HB 5 included funding for capital projects that support department facilities statewide (\$5 million) and also included funding (\$133.7 million) for the reconstruction project on U.S. Highway 93 from Evaro Hill to Polson that was originally included in the executive budget in HB 2 (at \$93 million). HB 5 has become law.

House Bill 55 – HB 55 transferred the responsibility for permanent registration of trailers and semi trailer fleets from the department to the Department of Justice. The legislature approved funding in HB 2 to modify computer programs impacted by the transfer. HB 55 has become law.

House Bill 87 – HB 55 transferred the responsibility for the annual registration of fleet vehicles from the department to the Department of Justice. The legislature reduced HB 2 funding for the Motor Carrier Services Division and added funding to the Department of Justice to address the fiscal impacts of HB 55. HB 55 has become law.

### Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	2,176.13	2,230.41	2,174.16	(56.25)	2,205.28	2,238.56	33.28	
Personal Services	103,543,485	114,354,746	116,159,564	1,804,818	113,829,669	123,074,662	9,244,993	11,049,811
Operating Expenses	361,067,272	472,693,636	411,356,701	(61,336,935)	458,500,370	409,476,538	(49,023,832)	(110,360,767)
Equipment	1,456,438	2,067,692	2,971,692	904,000	1,585,682	1,585,682	0	904,000
Capital Outlay	15,533,494	16,050,157	16,050,157	0	16,050,157	16,050,157	0	0
Local Assistance	95,225	95,225	95,225	0	95,225	95,225	0	0
Grants	9,014,582	10,800,925	10,800,925	0	9,767,925	9,767,925	0	0
Transfers	18,221	18,221	18,221	0	18,221	18,221	0	0
Debt Service	750	750	750	0	26,750	26,750	0	0
<b>Total Costs</b>	<b>\$490,729,467</b>	<b>\$616,081,352</b>	<b>\$557,453,235</b>	<b>(\$58,628,117)</b>	<b>\$599,873,999</b>	<b>\$560,095,160</b>	<b>(\$39,778,839)</b>	<b>(\$98,406,956)</b>
State/Other Special	237,162,066	287,267,695	241,412,637	(45,855,058)	260,039,377	245,543,065	(14,496,312)	(60,351,370)
Federal Special	253,567,401	328,813,657	316,040,598	(12,773,059)	339,834,622	314,552,095	(25,282,527)	(38,055,586)
<b>Total Funds</b>	<b>\$490,729,467</b>	<b>\$616,081,352</b>	<b>\$557,453,235</b>	<b>(\$58,628,117)</b>	<b>\$599,873,999</b>	<b>\$560,095,160</b>	<b>(\$39,778,839)</b>	<b>(\$98,406,956)</b>

For the biennium, the legislative budget is \$98.4 million less in total funds than the executive budget. State special revenue is \$60.4 million less and federal special revenue is \$38.0 million less in the legislative budget than the executive budget. The differences between the legislative and executive budgets are due primarily to the following factors:

- State special revenue was reduced by \$93 million to eliminate funding for U.S. Highway 93 construction activities, which were appropriated in HB 5
- Funding associated with the federal-aid highway construction program was reduced by \$64.5 million to reflect updated estimates for contractor payments and state staffing levels on planned highway construction activities after revising federal-aid highway funding levels expected for the 2007 biennium
- Funding for contractor payments associated with the state funded construction program was increased by \$33.5 million over the executive budget
- Funding for federal earmark projects that were not known when the executive budget was submitted added \$15.6 million total funds (\$881,810 state special revenue)
- 2.00 FTE civil engineers and \$1.3 million total funds were added to support bridge inspections
- Funding for a long-term project to integrate financial and resource management systems was reduced by \$907,000

- A request of \$500,000 to provide higher speed remote connectivity for computers are remote work sites was denied
- Funding for the transfer of the Motor Carrier Safety Assistance Program from the Department of Justice was funded at a level \$325,000 lower than the executive budget

Revised estimates for state staffing levels related to the updated federal-aid highway construction program funding resulted in approving funding for 59.00 FTE fewer than the executive budget in FY 2006 and 30.28 FTE more in FY 2007.

**Language**

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All federal special revenue appropriations in the department are biennial.

All appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions, for the 2005 biennium are authorized to continue and are appropriated in fiscal year 2006 and fiscal year 2007.

*The department shall provide a report for review by the general government and transportation joint appropriations subcommittee of the 2007 legislature that summarizes the accomplishments achieved from funding provided in the 2007 biennium for disadvantaged business enterprises and fuel tax evasion included in General Operations Program, and Corridor Studies. The report must at a minimum specify how many disadvantaged businesses were served and what services were provided. For each listed funding area, the report must include a listing of outcome goals planned for the 2007 biennium and the actual activities toward attaining the goals."*

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	164.77	0.00	5.00	169.77	0.00	6.00	170.77	170.77
Personal Services	8,227,383	348,321	463,222	9,038,926	347,333	916,937	9,491,653	18,530,579
Operating Expenses	11,505,433	(644,039)	0	10,861,394	(617,786)	0	10,887,647	21,749,041
Equipment	399,626	0	0	399,626	0	0	399,626	799,252
Grants	75,000	0	0	75,000	0	0	75,000	150,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	750	0	0	750	0	0	750	1,500
<b>Total Costs</b>	<b>\$20,208,192</b>	<b>(\$295,718)</b>	<b>\$463,222</b>	<b>\$20,375,696</b>	<b>(\$270,453)</b>	<b>\$916,937</b>	<b>\$20,854,676</b>	<b>\$41,230,372</b>
State/Other Special	19,466,174	(372,104)	462,264	19,556,334	(369,158)	914,250	20,011,266	39,567,600
Federal Special	742,018	76,386	958	819,362	98,705	2,687	843,410	1,662,772
<b>Total Funds</b>	<b>\$20,208,192</b>	<b>(\$295,718)</b>	<b>\$463,222</b>	<b>\$20,375,696</b>	<b>(\$270,453)</b>	<b>\$916,937</b>	<b>\$20,854,676</b>	<b>\$41,230,372</b>

**Program Description**

The General Operations Program administers motor fuel taxes and provides administrative support services for the department, including general administration and management, accounting and budgeting, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement.

**Program Highlights**

<b>Department of Transportation</b> <b>General Operations Program</b> <b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Total fund budget increases \$814,000 for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Pay plan adjustments (\$932,000)</li> <li>• Computer system enhancements and reprogramming (\$701,000)</li> <li>• Expanded services and compliance oversight of disadvantaged business enterprises (\$138,000)</li> <li>• Overtime and differential pay at the base level (\$132,000)</li> </ul> </li> <li>◆ 6.00 FTE will be added by the end of the biennium for a long-term project to integrate agency management systems</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		General Operations Progr					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 19,466,174	96.3%	\$ 19,556,334	96.0%	\$ 20,011,266	96.0%
	02422 Highways Special Revenue	19,466,174	96.3%	19,556,334	96.0%	20,011,266	96.0%
03000	Total Federal Special Funds	742,018	3.7%	819,362	4.0%	843,410	4.0%
	03407 Highway Trust - Sp Rev	742,018	3.7%	819,362	4.0%	843,410	4.0%
Grand Total		<u>\$ 20,208,192</u>	<u>100.0%</u>	<u>\$ 20,375,696</u>	<u>100.0%</u>	<u>\$ 20,854,676</u>	<u>100.0%</u>

The General Operations Program is funded from the highways state special revenue fund and federal special revenue. The highways state special revenue fund receives revenue primarily from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				637,030					636,003
Vacancy Savings				(354,575)					(354,536)
Inflation/Deflation				(323,706)					(323,679)
Fixed Costs				(701,425)					(678,623)
<b>Total Statewide Present Law Adjustments</b>				<b>(\$742,676)</b>					<b>(\$720,835)</b>
DP 103 - Commercial Vehicle Operations Enhancements									
0.00	0	126,566	106,265	232,831	0.00	0	126,566	106,265	232,831
DP 105 - Overtime and Differential Pay									
0.00	0	65,866	0	65,866	0.00	0	65,866	0	65,866
DP 106 - Equipment Rental									
0.00	0	5,441	0	5,441	0.00	0	5,425	0	5,425
DP 108 - Human Resource Compliance									
0.00	0	10,943	0	10,943	0.00	0	10,934	0	10,934
DP 109 - DBE Support Services Expansion									
0.00	0	0	57,827	57,827	0.00	0	0	57,826	57,826
DP 110 - Video Conferencing									
0.00	0	10,800	0	10,800	0.00	0	10,800	0	10,800
DP 111 - Fuel Tax Evasion									
0.00	0	5,000	58,250	63,250	0.00	0	5,000	61,700	66,700
<b>Total Other Present Law Adjustments</b>									
0.00	\$0	\$224,616	\$222,342	\$446,958	0.00	\$0	\$224,591	\$225,791	\$450,382
<b>Grand Total All Present Law Adjustments</b>				<b>(\$295,718)</b>					<b>(\$270,453)</b>



DP 103 - Commercial Vehicle Operations Enhancements - The legislature approved increases of \$253,132 state special revenue and \$212,530 federal special revenue for the biennium to provide maintenance and enhancements of the software used by the department to administer and enforce state and federal commercial motor carrier laws and regulations. The legislature designated the funding as one-time-only.

DP 105 - Overtime and Differential Pay - The legislature approved \$131,732 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 106 - Equipment Rental - The legislature approved an increase of \$10,866 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 108 - Human Resource Compliance - The legislature approved an increase of \$21,887 state special revenue for the biennium to provide on-site compliance reviews of disadvantaged business enterprises (DBE) and to develop and maintain records to verify contractor compliance with federal labor and equal employment opportunity requirements.

DP 109 - DBE Support Services Expansion - The legislature approved an increase of \$115,653 federal special revenue for the biennium to expand services to DBE companies. Expanded services to DBE companies are for increased reimbursements, additional meetings and training workshops, an improved monthly newsletter, and additional marketing and financial assistance.

DP 110 - Video Conferencing - The legislature approved an increase of \$21,600 state special revenue for the biennium to fund video conferencing fees paid to the Information Technology Services Division of the Department of Administration under a service level agreement for seven video conferencing units added at the end of FY 2004.

DP 111 - Fuel Tax Evasion - The legislature approved increases of \$10,000 state special revenue and \$119,950 federal special revenue for the biennium for fuel tax evasion activities. Funding will develop and maintain an interface between the management system used to monitor fuel distributor data and the system to administer and enforce state and federal commercial motor carrier laws and regulations. Funding will also be used to purchase fuel tax evasion enforcement training videos, mobile audio/video recorders, and maintenance of an increased number of cell phones for Motor Carrier Services enforcement officers.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 101 - Integrated Financials										
01	5.00	0	203,986	0	203,986	6.00	0	244,318	0	244,318
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	0	258,278	958	259,236	0.00	0	669,932	2,687	672,619
<b>Total</b>	<b>5.00</b>	<b>\$0</b>	<b>\$462,264</b>	<b>\$958</b>	<b>\$463,222</b>	<b>6.00</b>	<b>\$0</b>	<b>\$914,250</b>	<b>\$2,687</b>	<b>\$916,937</b>

DP 101 - Integrated Financials - The legislature approved an increase of \$448,304 state special revenue for the biennium for a long-term project to integrate the department's management systems used for resource and project planning and scheduling, and financial planning, monitoring, and administration. The funding is for personal services to add 5.00 FTE in FY 2006 and 6.00 FTE in FY 2007.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

### Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	1,069.59	(18.35)	2.00	1,053.24	41.93	2.00	1,113.52	1,113.52
Personal Services	52,793,815	4,564,380	1,739,262	59,097,457	6,086,313	4,305,135	63,185,263	122,282,720
Operating Expenses	290,599,940	31,141,099	11,309,210	333,050,249	41,011,354	3,451,400	335,062,694	668,112,943
Equipment	857,670	0	1,000,000	1,857,670	0	0	857,670	2,715,340
Capital Outlay	15,526,338	473,663	0	16,000,001	473,663	0	16,000,001	32,000,002
Local Assistance	95,225	0	0	95,225	0	0	95,225	190,450
Grants	3,549,690	0	0	3,549,690	0	0	3,549,690	7,099,380
<b>Total Costs</b>	<b>\$363,422,678</b>	<b>\$36,179,142</b>	<b>\$14,048,472</b>	<b>\$413,650,292</b>	<b>\$47,571,330</b>	<b>\$7,756,535</b>	<b>\$418,750,543</b>	<b>\$832,400,835</b>
State/Other Special	126,894,127	(9,413,424)	1,784,673	119,265,376	(6,446,286)	2,050,248	122,498,089	241,763,465
Federal Special	236,528,551	45,592,566	12,263,799	294,384,916	54,017,616	5,706,287	296,252,454	590,637,370
<b>Total Funds</b>	<b>\$363,422,678</b>	<b>\$36,179,142</b>	<b>\$14,048,472</b>	<b>\$413,650,292</b>	<b>\$47,571,330</b>	<b>\$7,756,535</b>	<b>\$418,750,543</b>	<b>\$832,400,835</b>

### Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, environmental documents and permits, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved as meeting established construction standards. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

### Program Highlights

<b>Department of Transportation Construction Program Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Total fund budget increases \$105.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Increased funding for federal-aid highway construction related project costs in anticipation of higher federal funding (\$81.3 million)</li> <li>• Federal earmark projects (\$14.7 million)</li> <li>• Overtime and differential pay at the base level (\$8.8 million)</li> <li>• Pay plan adjustments (\$5.8 million)</li> </ul> </li> <li>◆ 43.93 FTE will be added by the end of the biennium <ul style="list-style-type: none"> <li>• 2.00 FTE traffic engineers to address workload issues</li> <li>• 39.93 FTE in FY 2007 associated with planned federal-aid construction projects</li> <li>• 2.00 FTE civil engineers to perform bridge inspections</li> </ul> </li> <li>◆ The state funded construction program will be reduced by \$5 million for the biennium below the base level</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base and for the 2007 biennium as adopted by the legislature.

Program Funding Table							
Construction Program							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 126,894,127	34.9%	\$ 119,265,376	28.8%	\$ 122,498,089	29.3%
	02422 Highways Special Revenue	126,894,127	34.9%	119,265,376	28.8%	122,498,089	29.3%
03000	Total Federal Special Funds	236,528,551	65.1%	294,384,916	71.2%	296,252,454	70.7%
	03407 Highway Trust - Sp Rev	226,691,340	62.4%	286,104,314	69.2%	287,962,736	68.8%
	03828 Traffic Safety	9,837,211	2.7%	8,280,602	2.0%	8,289,718	2.0%
Grand Total		<u>\$ 363,422,678</u>	<u>100.0%</u>	<u>\$ 413,650,292</u>	<u>100.0%</u>	<u>\$ 418,750,543</u>	<u>100.0%</u>

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match for most direct construction related costs. The program also provides a maintenance-of-effort highway construction program funded entirely with highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception is that a 50 percent state special revenue match is required for roughly 1 percent of the administrative costs.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,074,054						1,029,065
Vacancy Savings				(2,154,706)						(2,152,917)
Inflation/Deflation				(5,383)						(5,436)
Fixed Costs				(16,703)						(16,594)
Total Statewide Present Law Adjustments				(\$1,102,738)		(\$1,145,882)				
DP 201 - Traffic Engineers										
2.00	0	46,067	72,509	118,576		2.00	0	45,953	72,299	118,252
DP 202 - Contractor Payments/State Construction Program										
0.00	0	(2,767,123)	0	(2,767,123)		0.00	0	(2,264,275)	0	(2,264,275)
DP 203 - Contractor Payments/Federal Aid Construction Prog										
0.00	0	3,336,943	28,768,411	32,105,354		0.00	0	4,912,688	36,039,695	40,952,383
DP 205 - Construction Management FTE										
(20.35)	0	67,899	150,215	218,114		39.93	0	720,990	1,583,964	2,304,954
DP 206 - Aggregate Position Funding										
0.00	0	520,792	1,152,167	1,672,959		0.00	0	523,302	1,149,657	1,672,959
DP 207 - Right-of-Way/Utilities										
0.00	0	137,855	648,090	785,945		0.00	0	138,484	647,461	785,945
DP 208 - Community Transportation Enhancement Program										
0.00	0	51,200	348,800	400,000		0.00	0	51,920	348,080	400,000
DP 209 - Overtime and Differential Pay										
0.00	0	2,029,634	2,349,295	4,378,929		0.00	0	2,034,888	2,344,041	4,378,929
DP 210 - Equipment Rental										
0.00	0	147,724	221,402	369,126		0.00	0	151,496	216,569	368,065
Total Other Present Law Adjustments										
(18.35)	\$0	\$3,570,991	\$33,710,889	\$37,281,880		41.93	\$0	\$6,315,446	\$42,401,766	\$48,717,212
Grand Total All Present Law Adjustments				\$36,179,142		\$47,571,330				

DP 201 - Traffic Engineers - The legislature approved increases of \$92,020 state special revenue and \$144,808 federal special revenue for the biennium to fund the addition of 2.00 FTE traffic engineering specialists for each year. The traffic engineers would address increasing demand for traffic engineering work in the preliminary engineering design and project development phases of federal-aid highway construction projects and in the hazards elimination safety program.

DP 202 - Contractor Payments/State Construction Program - The legislature approved a reduction of \$5 million state special revenue for the biennium in contractor payments for the state funded construction program.

DP 203 - Contractor Payments/Federal Aid Construction Prog - The legislature approved increases of \$8.2 million state special revenue and \$64.8 million federal special revenue for the biennium to fund payments to highway construction contractors based on department estimates of federal-aid funding in the most recent tentative construction plan.

DP 205 - Construction Management FTE - The legislature approved increases of \$788,889 state special revenue and \$1,734,179 federal special revenue for the biennium to adjust funding for preliminary and construction engineering functions in support of the most recent tentative construction plan. In doing so, the legislature approved funding changes that provide a reduction of 20.35 FTE in FY 2006 and an increase of 39.93 FTE in FY 2007 to match staffing to resource levels of the construction plan.

DP 206 - Aggregate Position Funding - The legislature approved increases of \$1,044,094 state special revenue and \$2,301,824 federal special revenue for the biennium to fully fund all aggregate positions in the Construction Program based on position incumbents.

DP 207 - Right-of-Way/Utilities - The legislature approved increases of \$276,339 state special revenue and \$1,295,551 federal special revenue for the biennium to fund utility relocation activities and purchase right-of-way for the expected increase in highway construction projects that would result from expected higher federal funding levels when the U.S. Congress reauthorizes federal highway funding.

DP 208 - Community Transportation Enhancement Program - The legislature approved increases of \$103,120 state special revenue and \$696,880 federal special revenue for the biennium to increase funding for the community transportation enhancement program (CTEP) to levels expected for the 2007 biennium under allocation formulas of federal-aid highway funding.

DP 209 - Overtime and Differential Pay - The legislature approved \$4,064,522 state special revenue and \$4,693,336 federal special revenue for the biennium to reestablish base year overtime and differential pay.

DP 210 - Equipment Rental - The legislature approved increases of \$299,220 state special revenue and \$437,971 federal special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

### New Proposals

New Proposals											
Program	FTE	Fiscal 2006				Fiscal 2007					Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 211 - Civil Engineers											
02	2.00	0	209,934	931,692	1,141,626	2.00	0	68,612	72,618	141,230	
DP 213 - Federal Earmark Construction											
02	0.00	0	831,810	10,466,000	11,297,810	0.00	0	50,000	3,390,000	3,440,000	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
02	0.00	0	742,929	866,107	1,609,036	0.00	0	1,931,636	2,243,669	4,175,305	
<b>Total</b>	<b>2.00</b>	<b>\$0</b>	<b>\$1,784,673</b>	<b>\$12,263,799</b>	<b>\$14,048,472</b>	<b>2.00</b>	<b>\$0</b>	<b>\$2,050,248</b>	<b>\$5,706,287</b>	<b>\$7,756,535</b>	

DP 211 - Civil Engineers - The legislature approved increases of \$278,546 state special revenue and \$1,004,310 federal special revenue for the biennium to fund the addition of 2.00 FTE civil engineers to perform bridge inspections. The legislature designated \$140,000 state special revenue and \$860,000 federal special revenue in FY 2006 as one-time-only funding to buy capital equipment.

DP 213 - Federal Earmark Construction - The legislature approved increases of \$881,810 state special revenue and \$13.9 million federal special revenue for the biennium as one-time-only funding for the following federal earmarked construction projects:

- Kalispell Bypass
- S-323 Ekalaka-Alzada
- Marysville Road Construction
- US-2 Lohman Rail Crossing
- Billings Bypass
- Claggett Hill/L&C Ferries
- US-87 Roadway Improvements
- Whitefish Pedestrian/Bicycle Trails

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	761.17	0.00	0.00	761.17	0.00	0.00	761.17	761.17
Personal Services	35,186,585	3,174,965	1,049,383	39,410,933	3,244,311	2,734,848	41,165,744	80,576,677
Operating Expenses	56,190,657	3,287,287	975,000	60,452,944	3,359,068	75,000	59,624,725	120,077,669
Equipment	164,987	62,000	0	226,987	62,000	0	226,987	453,974
Capital Outlay	7,156	43,000	0	50,156	43,000	0	50,156	100,312
<b>Total Costs</b>	<b>\$91,549,385</b>	<b>\$6,567,252</b>	<b>\$2,024,383</b>	<b>\$100,141,020</b>	<b>\$6,708,379</b>	<b>\$2,809,848</b>	<b>\$101,067,612</b>	<b>\$201,208,632</b>
State/Other Special	83,203,653	7,606,205	1,124,383	91,934,241	7,622,695	2,809,848	93,636,196	185,570,437
Federal Special	8,345,732	(1,038,953)	900,000	8,206,779	(914,316)	0	7,431,416	15,638,195
<b>Total Funds</b>	<b>\$91,549,385</b>	<b>\$6,567,252</b>	<b>\$2,024,383</b>	<b>\$100,141,020</b>	<b>\$6,708,379</b>	<b>\$2,809,848</b>	<b>\$101,067,612</b>	<b>\$201,208,632</b>

**Program Description**

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally sound state highway transportation system and related facilities. Major activities include sign maintenance and repair, and patching, repairing, and periodic sealing of highway surfaces and structures; snow removal; and sanding.

**Program Highlights**

<b>Department of Transportation</b> <b>Maintenance Program</b> <b>Major Budget Highlights</b>	
♦	<p>Total fund budget increases \$18.1 million for the biennium over the base due primarily to:</p> <ul style="list-style-type: none"> <li>• Overtime and differential pay at the base level (\$4.8 million)</li> <li>• Increases in equipment rental charges (\$4.1 million)</li> <li>• Pay plan adjustments (\$3.8 million)</li> <li>• Increased funding for maintenance of rest areas and newly assumed secondary roads (\$1.3 million)</li> <li>• Increased noxious weed control costs (\$611,000)</li> <li>• Replacement and upgrades for remote weather site and communications equipment (\$460,000)</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Maintenance Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 83,203,653	90.9%	\$ 91,934,241	91.8%	\$ 93,636,196	92.6%
	02422 Highways Special Revenue	83,203,653	90.9%	91,934,241	91.8%	93,636,196	92.6%
03000	Total Federal Special Funds	8,345,732	9.1%	8,206,779	8.2%	7,431,416	7.4%
	03407 Highway Trust - Sp Rev	8,345,732	9.1%	8,206,779	8.2%	7,431,416	7.4%
Grand Total		<u>\$ 91,549,385</u>	<u>100.0%</u>	<u>\$ 100,141,020</u>	<u>100.0%</u>	<u>\$ 101,067,612</u>	<u>100.0%</u>

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,295,189					2,367,443
Vacancy Savings					(1,499,299)					(1,502,207)
Inflation/Deflation					89,796					83,971
Fixed Costs					(500)					(500)
<b>Total Statewide Present Law Adjustments</b>					<b>\$885,186</b>					<b>\$948,707</b>
DP 301 - Additional Secondary Roads										
0.00	0		234,552	0	234,552	0.00	0	316,152	0	316,152
DP 304 - Communications - Two Way Radios										
0.00	0		256,918	0	256,918	0.00	0	256,919	0	256,919
DP 305 - Rest Areas, Vaults and New Utilities										
0.00	0		361,611	0	361,611	0.00	0	361,611	0	361,611
DP 306 - RWIS System Maintenance and Expansion (OTO)										
0.00	0		230,075	0	230,075	0.00	0	230,075	0	230,075
DP 308 - Equipment Rental										
0.00	0		2,060,428	0	2,060,428	0.00	0	2,056,097	0	2,056,097
DP 309 - Biennial Appropriation Adjustments										
0.00	0		(846,497)	0	(846,497)	0.00	0	(846,497)	0	(846,497)
DP 310 - Pavement Markings										
0.00	0		115,348	404,471	519,819	0.00	0	115,348	404,471	519,819
DP 311 - Overtime and Differential Pay										
0.00	0		2,379,075	0	2,379,075	0.00	0	2,379,075	0	2,379,075
DP 313 - 511 Travelers Information Program										
0.00	0		80,000	0	80,000	0.00	0	80,000	0	80,000
DP 314 - Noxious Weed Control										
0.00	0		305,336	0	305,336	0.00	0	305,336	0	305,336
DP 315 - City Maintenance Contracts										
0.00	0		57,749	0	57,749	0.00	0	58,085	0	58,085
DP 316 - Land Acquisition										
0.00	0		43,000	0	43,000	0.00	0	43,000	0	43,000
<b>Total Other Present Law Adjustments</b>										
0.00	\$0	\$5,277,595	\$404,471	\$5,682,066	0.00	\$0	\$5,355,201	\$404,471	\$5,759,672	
<b>Grand Total All Present Law Adjustments</b>					<b>\$6,567,252</b>					<b>\$6,708,379</b>



DP 301 - Additional Secondary Roads - The legislature approved an increase of \$550,704 state special revenue for the biennium to purchase materials to maintain 105.5 additional centerline miles of paved secondary roads assumed from counties under the authority of 60-2-203, MCA. Materials that would be purchased include such items as traffic paint, winter materials, replacement signs, and sand.

DP 304 - Communications - Two Way Radios - The legislature approved an increase of \$513,837 state special revenue for the biennium to: 1) replace obsolete two-way mobile radio communication equipment used by field personnel of the Maintenance Program, Construction Program, and Motor Carrier Services Divisions in Great Falls, Butte, and Helena; and 2) fund increased operating costs for new telephone systems installed in Bozeman, Havre, and Shelby at the end of FY 2004.

DP 305 - Rest Areas, Vaults and New Utilities - The legislature approved an increase of \$723,222 state special revenue for the biennium to fund: 1) increased contract costs for rest area maintenance; 2) operations and maintenance costs for two new rest areas that will open in the 2007 biennium; 3) utility costs at a new maintenance facility constructed in Melstone to replace an abandoned section house in Ingomar; and 4) the installation and maintenance of vault toilets at five pullout areas used by truck drivers and other large vehicles.

DP 306 - RWIS System Maintenance and Expansion (OTO) - The legislature approved an increase of \$460,150 state special revenue for the biennium to: 1) establish a regular replacement program for Roadway Weather Information System (RWIS) hardware and software; and 2) expand and enhance the system by adding more web cameras. The legislature approved \$131,375 of the funding in each fiscal year as one-time-only.

DP 308 - Equipment Rental - The legislature approved an increase of \$4,116,525 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 309 - Biennial Appropriation Adjustments - The legislature approved a reduction of \$1,692,994 state special revenue for the biennium to adjust the funding for the pavement preservation program to planned levels for the 2007 biennium.

DP 310 - Pavement Markings - The legislature approved increases of \$230,696 state special revenue and \$808,942 federal special revenue for the biennium to provide funding for pavement markings at the planned level of activity for the 2007 biennium.

DP 311 - Overtime and Differential Pay - The legislature approved \$4,758,150 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 313 - 511 Travelers Information Program - The legislature approved an increase of \$160,000 state special revenue for the biennium to fund the 511 Travelers Information Program with state funding to replace federal funding that will not be available after June 2005.

DP 314 - Noxious Weed Control - The legislature approved an increase of \$610,672 state special revenue for the biennium to increase the funding for cost increases for chemicals, equipment, and manpower to control noxious weeds on state highway rights-of-way.

DP 315 - City Maintenance Contracts - The legislature approved an increase of \$115,834 state special revenue for the biennium to fund increases associated with maintenance contacts with the cities of Missoula and Billings.

DP 316 - Land Acquisition - The legislature approved an increase of \$86,000 state special revenue for the biennium to purchase land for stockpile sites and facility sites associated with the Long Range Building Program.

## New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 307 - City Rest Area										
03	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 317 - Lewis and Clark 511 Earmark (OTO)										
03	0.00	0	0	900,000	900,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	0	1,049,383	0	1,049,383	0.00	0	2,734,848	0	2,734,848
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,124,383</b>	<b>\$900,000</b>	<b>\$2,024,383</b>	<b>0.00</b>	<b>\$0</b>	<b>\$2,809,848</b>	<b>\$0</b>	<b>\$2,809,848</b>

DP 307 - City Rest Area - The legislature approved an increase of \$150,000 state special revenue for the biennium to fund caretaker and janitorial services as well as basic maintenance and repairs at 10 city park rest areas in which city operating obligations have expired.

DP 317 - Lewis and Clark 511 Earmark (OTO) - The legislature approved an increase of \$900,000 federal special revenue for the biennium to fund the analysis and implementation of a rural transportation management center in relation to the agency's traveler information system. The legislature designated funding for the earmark as one-time-only.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Proprietary Program Description**

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

The program has increased from 318 units in FY 1994 to 832 in FY 2004. During that time, annual mileage increased from 4.1 million to 11.0 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating that agencies lease new vehicles from the State Motor Pool instead of purchasing vehicles directly.

**Proprietary Revenues and Expenses**

Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide roughly 99 percent of the revenue for the program in FY 2004. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenue from accident damages reimbursed by private individuals or insurance companies. These damage reimbursement revenues generally cover only the expenses to repair the damage.

Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are typically housed and managed out of agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

In FY 2004, the State Motor Pool had revenues of roughly \$3.2 million from vehicle rental fees. Vehicle rent payments were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (53.6 percent) \$1,714,000
- State special revenue (25.4 percent) \$812,000
- Federal special revenue (19.7 percent) \$630,000
- All other funds (1.3 percent) \$44,000

The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all costs directly associated with vehicle operations including liability insurance. The program is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles.

The majority of the costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. The State Motor Pool supports 6.00 FTE. Administrative overhead and service activities that cannot be tied directly to a vehicle receive an allocation of 75 percent of the personal service costs with the remaining 25 percent allocated to specific units as specific maintenance and repair activities are tracked. Direct costs include gasoline, oil, and tires and are supported by the usage rates for all seven classes of vehicles. Expenses for gasoline, oil, and tires accounted for 32.0 percent of FY 2004 total expenses. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included a 3 percent increase in projections for indirect costs and a 5 percent increase in projections for direct costs. These growth factors are based on industry trends in which vehicle purchase costs are expected to increase, as are costs for repairs and maintenance. Rising oil prices are expected to keep oil, grease, and fuel costs higher than the base year expenditures.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest payments have a significant impact on motor pool assigned time rental rates.

Rental rates are set to recover sufficient revenue to meet loan principal and interest payments and operating costs, and to allow maintaining no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, a short-term loan would be requested or assets would be sold to satisfy the loan obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principal due June 30.

The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 832 vehicles, nearly 2.6 times the 1994 fleet size. Because of this growth, the program has borrowed funds to purchase new vehicles. As such, the balance sheet for the program at the end of FY 2004 has \$14.8 million in equipment assets with vehicles comprising nearly 100 percent of total assets. The equipment assets are depreciated to nearly 41.1 percent of their cost, for a book value of \$8.7 million financed by \$4.8 million of long-term debt. The resultant fund equity is \$2.7 million or 27.0 percent of total assets. An adjustment to decrease the fund equity balance was included in the rates for the 2005 biennium. The adjustment was for net income gains from 1998 to 2002. The program decreased fund equity by approximately \$460,000 in FY 2004 and expects the fund equity to decrease by an additional \$450,000 by the end of FY 2005. These planned losses were not included in the 2007 biennium rental rates.

### **Proprietary Rate Explanation**

The State Motor Pool rental rates are based on a two-tiered structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure first used in the 2003 biennium provides: 1) a stable revenue to pay loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The motor pool management system provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for the 2005 biennium and budgeted costs for the 2007 biennium. For the 2007 biennium, projected costs were adjusted for: 1) anticipated additional lease vehicle purchases; and 2) increases to direct and indirect costs.

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental:

Cost (per occurrence) = (HR x AR) + (AM x MR),

Out-stationed lease:

Cost (annual) = (2920 x AR) + (AM x MR),

where:

HR = 8 hours for each day the vehicle is checked out from the motor pool, including weekends

AR = per hour assigned rate

AM = actual miles traveled

MR = per mile operated rate

For the 2007 biennium, the legislature approved the rates shown Figure 7A for the State Motor Pool.

**Proprietary Significant Present Law**

By approving the rates in Figure 2 for the State Motor Pool, the legislature approved vehicle purchases and increased costs for vehicle fuel and insurance payments made to the Risk Management and Tort Defense Division of the Department of Administration.

Over all, 195 vehicles would be purchased in FY 2006 and 123 vehicles would be purchased in FY 2007. The program would replace 151 existing vehicles in FY 2006 and 99 vehicles in FY 2007. Vehicles that would be replaced are those that would reach the end of their economic lives at the time of replacement. In addition to replacing existing vehicles in the motor pool fleet, the out-stationed vehicle fleet would be expanded by 44 vehicles in FY 2006 and by 24 vehicles in FY 2007 to satisfy statewide vehicle needs for long-term leases in agencies.

Figure 2 State Motor Pool 2007 Biennium Approved Rates					
Class	Description	Fiscal Year 2006		Fiscal Year 2007	
		Assigned (per hr)	Usage (per mile)	Assigned (per hr)	Usage (per mile)
2	Small Utilities	\$1.377	\$0.069	\$1.408	\$0.069
4	Large Utilities	1.856	0.081	1.955	0.081
6	Midsized Compact	1.196	0.048	1.186	0.048
7	Small Pickups	1.153	0.073	1.106	0.073
11	Large Pickups	1.521	0.095	1.653	0.095
12	Van, All Types	1.399	0.084	1.432	0.084

**Proprietary Program Description**

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment that serve functions of the department. Other programs of the Department of Transportation are the exclusive users of the fleet. Costs for the program are financed through rental fees charged to user programs.

The program has increased the fleet size over the last several biennia due to: 1) increased federal-aid highway construction funding; and 2) the assumption of secondary roads by the department. At fiscal year end 1997, the program had 4041 units operated for more than 20.1 million miles per year. At the end of FY 2004, the fleet had grown to 4571 units operated for nearly 23.7 million miles per year, but has remained relatively stable since FY 2001.

**Proprietary Revenues and Expenses**

Revenue is generated through the vehicle and equipment rental fees and from the gain on sale of surplus assets. Rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winters, construction program workload, and travel requirements of the various programs using the equipment. As such, annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the factors listed above for increased fleet size.

The program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet, including funding for 122.00 FTE. Approximately 40.0 percent of staff costs are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment. The remaining 60.0 percent of staff costs are allocated to specific units according to maintenance and repair activity. The program pays all costs directly associated with vehicle and equipment operations, including liability insurance and fuel. The Equipment Program is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work completed by department personnel.

Indirect costs, costs that cannot be traced directly to specific usage of the vehicles and equipment, are supported by the assigned rates and are allocated to each of the equipment fleet class and subclass. Direct costs, costs that can be traced directly to a particular unit use, include fuel, oil, and tires and are supported by usage rates. Indirect costs consist mainly of overhead costs and are allocated equally to all units of the fleet. Direct costs are tracked by the equipment management system and are allocated to the particular vehicle class for which they apply.

Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue is from user rental fees charged for the use and possession of vehicles and equipment. Rental fees are based on a dual rate structure for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately \$700,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions, and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program does not generate sufficient revenue to meet these obligations, the program would either liquidate assets or receive a loan.

The fund equity balance shows an increase due primarily to the increased fleet size that resulted when the department assumed maintenance responsibility for paved secondary roads. Revenues are anticipated to equal operation expenses and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. In each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. With this federally funded equipment, the Equipment Program is obligated to maintain the equipment and will replace the units when their life cycles and costs dictate replacement.

The Equipment Program serves only other programs of the Department of Transportation. The cash flow is dependent on rental revenue and auction proceeds. If Montana experiences a harsh winter season, usage is higher and corresponding rental revenues are higher. The Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash, the program occasionally does not have sufficient cash to cover obligations due at the beginning of each fiscal year. One significant expense that is paid at the beginning of the year is liability insurance paid to the Department of Administration Risk Management and Tort Claims Division for vehicle insurance. When needed for cash flow purposes, the program negotiates, at no interest, an inter-entity loan from the highway state special revenue account. The loan is repaid when rental revenues have generated enough cash to pay ongoing cash obligations.

**Proprietary Rate Explanation**

The rental rates are based on a two-tiered rate structure. Equipment users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles or hours used and is designed to recover direct costs such as labor, parts, fuel, lubricants, tires, and tubes. The assigned rate is designed to recover fixed costs such as insurance, depreciation, and indirect costs. Rental rates are adjusted each year based on the previous year operating experience. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The program's financial position also is considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement.

The legislature approved a program operating parameter that limits the program from charging rental rates that collect more than 60 days of working capital.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	111.50	0.00	9.38	120.88	0.00	12.50	124.00	124.00
Personal Services	4,248,192	225,817	790,224	5,264,233	225,048	1,255,364	5,728,604	10,992,837
Operating Expenses	805,983	45,398	783,807	1,635,188	43,082	987,671	1,836,736	3,471,924
Equipment	0	0	103,254	103,254	0	67,244	67,244	170,498
<b>Total Costs</b>	<b>\$5,054,175</b>	<b>\$271,215</b>	<b>\$1,677,285</b>	<b>\$7,002,675</b>	<b>\$268,130</b>	<b>\$2,310,279</b>	<b>\$7,632,584</b>	<b>\$14,635,259</b>
State/Other Special	5,054,175	271,215	627,285	5,952,675	268,130	910,279	6,232,584	12,185,259
Federal Special	0	0	1,050,000	1,050,000	0	1,400,000	1,400,000	2,450,000
<b>Total Funds</b>	<b>\$5,054,175</b>	<b>\$271,215</b>	<b>\$1,677,285</b>	<b>\$7,002,675</b>	<b>\$268,130</b>	<b>\$2,310,279</b>	<b>\$7,632,584</b>	<b>\$14,635,259</b>

**Program Description**

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, vehicle and driver safety, and motor carrier inspection. The Licensing and Permit Bureau issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws.

**Program Highlights**

<b>Department of Transportation</b> <b>Motor Carrier Services Division</b> <b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Total fund budget increases \$4.5 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Transferring the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice (\$2.7 million)</li> <li>• Operating costs for a new port-of-entry station at the Montana and Wyoming border (\$690,000)</li> <li>• Pay plan adjustments (\$564,000)</li> </ul> </li> <li>◆ 12.50 FTE will be added by the end of the biennium with the transfer of MCSAP</li> </ul>	



**Funding**

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Motor Carrier Services Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 5,054,175	100.0%	\$ 5,952,675	85.0%	\$ 6,232,584	81.7%
	02422 Highways Special Revenue	5,054,175	100.0%	5,952,675	85.0%	6,232,584	81.7%
03000	Total Federal Special Funds	-	-	1,050,000	15.0%	1,400,000	18.3%
	03407 Highway Trust - Sp Rev	-	-	1,050,000	15.0%	1,400,000	18.3%
Grand Total		<u>\$ 5,054,175</u>	<u>100.0%</u>	<u>\$ 7,002,675</u>	<u>100.0%</u>	<u>\$ 7,632,584</u>	<u>100.0%</u>

The Motor Carrier Services Division is fully funded primarily by the highways state special revenue fund, which receives revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees. With the transfer of the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice, federal safety funding from MCSAP grants supports 17 percent of the program.

**Program Reorganization**

The legislature passed SB 459 and transferred the Motor Carrier Safety Assistance Program from the Department of Justice to the department beginning October 1, 2005. Passage and approval of SB 459 transferred 12.50 FTE existing staff and \$2.7 million total funds. The transfer was included in HB 2 via DP 2205 in the Motor Carrier Services Division, which can be viewed for further details of the transfer.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				354,143					353,337
Vacancy Savings				(184,097)					(184,060)
Inflation/Deflation				1,527					1,807
Fixed Costs				(25)					(25)
<b>Total Statewide Present Law Adjustments</b>				<b>\$171,548</b>					<b>\$171,059</b>
DP 2202 - Overtime and Differential Pay									
0.00	0	55,771	0	55,771	0.00	0	55,771	0	55,771
DP 2203 - Equipment Rental									
0.00	0	18,896	0	18,896	0.00	0	16,300	0	16,300
DP 2204 - Credit Card Fees									
0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
<b>Total Other Present Law Adjustments</b>									
<b>0.00</b>	<b>\$0</b>	<b>\$99,667</b>	<b>\$0</b>	<b>\$99,667</b>	<b>0.00</b>	<b>\$0</b>	<b>\$97,071</b>	<b>\$0</b>	<b>\$97,071</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$271,215</b>					<b>\$268,130</b>

DP 2202 - Overtime and Differential Pay - The legislature approved \$111,542 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 2203 - Equipment Rental - The legislature approved an increase of \$35,196 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 2204 - Credit Card Fees - The legislature approved an increase of \$50,000 state special revenue for the biennium to fund credit card fees associated with increased use of automated transactions by the commercial motor carrier industry.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2201 - MT/WY Dietz Joint Port of Entry										
22	0.00	0	345,000	0	345,000	0.00	0	345,000	0	345,000
DP 2205 - Transfer MCSAP from the Dept of Justice										
22	9.38	0	124,814	1,050,000	1,174,814	12.50	0	163,021	1,400,000	1,563,021
DP 2206 - Computer Programming - HB 55 (OTO)										
22	0.00	0	10,000	0	10,000	0.00	0	0	0	0
DP 2207 - Transfer Fleet Vehicle Registration - HB 87										
22	0.00	0	(7,348)	0	(7,348)	0.00	0	(7,348)	0	(7,348)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
22	0.00	0	154,819	0	154,819	0.00	0	409,606	0	409,606
<b>Total</b>	<b>9.38</b>	<b>\$0</b>	<b>\$627,285</b>	<b>\$1,050,000</b>	<b>\$1,677,285</b>	<b>12.50</b>	<b>\$0</b>	<b>\$910,279</b>	<b>\$1,400,000</b>	<b>\$2,310,279</b>

DP 2201 - MT/WY Dietz Joint Port of Entry - The legislature approved an increase of \$690,000 state special revenue for the biennium to pay half of the maintenance expenses and contracted services for half of the salaries of up to 10 Wyoming state employees operating the new port of entry station operating at Dietz, Wyoming, on the Montana and Wyoming border. The Dietz facility is operated as a joint enforcement effort between the two states. Montana contracts with Wyoming to staff and operate the joint port-of-entry. The contract calls for Wyoming personnel to enforce Montana size and weight laws, issue Montana permits, and collect Montana gross vehicle weight fees.

DP 2205 - Transfer MCSAP from the Dept of Justice - The legislature approved increases of \$287,835 state special revenue and \$2,450,000 federal special revenue for the biennium to transfer the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice to the Department of Transportation. The funding would add 9.63 FTE in FY 2006 and 12.50 FTE in FY 2007. The movement would consolidate all commercial motor vehicle regulation functions in one organizational unit.

DP 2206 - Computer Programming - HB 55 (OTO) - The legislature approved an increase of \$10,000 state special revenue for FY 2006 to make computer system modifications to accommodate the requirements of HB 55 that provides for permanent registration of trailers and semi trailer fleets. The legislature designated funding for HB 55 computer programming as one-time-only.

DP 2207 - Transfer Fleet Vehicle Registration - HB 87 - The legislature approved a reduction of \$14,696 state special revenue for the biennium to reflect the reduced administrative costs associated with transferring the responsibility for fleet vehicle registration from the department to the Department of Justice.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

### Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	452,378	25,135	14,252	491,765	23,935	37,005	513,318	1,005,083
Operating Expenses	398,010	535,952	2,437,750	3,371,712	(99,220)	155,750	454,540	3,826,252
Equipment	11,233	0	350,000	361,233	0	0	11,233	372,466
Grants	517,664	515,336	0	1,033,000	(517,664)	0	0	1,033,000
Transfers	18,221	0	0	18,221	0	0	18,221	36,442
Debt Service	0	0	0	0	0	26,000	26,000	26,000
<b>Total Costs</b>	<b>\$1,397,506</b>	<b>\$1,076,423</b>	<b>\$2,802,002</b>	<b>\$5,275,931</b>	<b>(\$592,949)</b>	<b>\$218,755</b>	<b>\$1,023,312</b>	<b>\$6,299,243</b>
State/Other Special	1,279,347	535,036	522,239	2,336,622	(516,847)	76,492	838,992	3,175,614
Federal Special	118,159	541,387	2,279,763	2,939,309	(76,102)	142,263	184,320	3,123,629
<b>Total Funds</b>	<b>\$1,397,506</b>	<b>\$1,076,423</b>	<b>\$2,802,002</b>	<b>\$5,275,931</b>	<b>(\$592,949)</b>	<b>\$218,755</b>	<b>\$1,023,312</b>	<b>\$6,299,243</b>

### Program Description

The Montana Aeronautics Division: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The division administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 14 other state-owned airports.

### Program Highlights

<b>Department of Transportation</b> <b>Aeronautics Program</b> <b>Major Budget Highlights</b>	
♦	Total fund budget increases \$3.5 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Runway rehabilitation projects at the Lincoln and West Yellowstone airports (\$2.8 million)</li> <li>• Purchase of a replacement aircraft (\$388,000)</li> <li>• Pay plan adjustments (\$51,000)</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Aeronautics Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,279,347	91.5%	\$ 2,336,622	44.3%	\$ 838,992	82.0%
	02287 Aeronautical Grant Account	427,744	30.6%	808,000	15.3%	-	-
	02827 Aeronautics Division	763,483	54.6%	1,303,622	24.7%	838,992	82.0%
	02962 Airport Pvm. Preservation	88,120	6.3%	225,000	4.3%	-	-
03000	Total Federal Special Funds	118,159	8.5%	2,939,309	55.7%	184,320	18.0%
	03060 Aeronautics Division	118,159	8.5%	2,939,309	55.7%	184,320	18.0%
Grand Total		<u>\$ 1,397,506</u>	<u>100.0%</u>	<u>\$ 5,275,931</u>	<u>100.0%</u>	<u>\$ 1,023,312</u>	<u>100.0%</u>

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				35,886						34,635
Vacancy Savings				(19,531)						(19,480)
Inflation/Deflation				891						730
Fixed Costs				735						724
<b>Total Statewide Present Law Adjustments</b>				<b>\$17,981</b>						<b>\$16,609</b>
DP 210 - Overtime Pay and Board Per Diem										
0.00	0	9,280	0	9,280		0.00	0	9,280	0	9,280
DP 212 - Grants - Biennial										
0.00	0	515,336	0	515,336		0.00	0	(517,664)	0	(517,664)
DP 213 - System Plan - Biennial										
0.00	0	10,936	207,775	218,711		0.00	0	(6,564)	(124,725)	(131,289)
DP 214 - Program/Service Adjustments										
0.00	0	25,674	4,441	30,115		0.00	0	25,674	4,441	30,115
DP 215 - West Yellowstone Airport - Biennial										
0.00	0	0	285,000	285,000		0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>										
<b>0.00</b>	<b>\$0</b>	<b>\$561,226</b>	<b>\$497,216</b>	<b>\$1,058,442</b>		<b>0.00</b>	<b>\$0</b>	<b>(\$489,274)</b>	<b>(\$120,284)</b>	<b>(\$609,558)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$1,076,423</b>						<b>(\$592,949)</b>

DP 210 - Overtime Pay and Board Per Diem - The legislature approved \$18,560 state special revenue for the biennium for overtime, differential pay, and per diem for the Aeronautics Board at the base level.

**DP 212 - Grants - Biennial** - The legislature approved a reduction of \$2,328 state special revenue for the biennium to align grants to communities and air-carrier airports with expected revenue from dedicated sources. The grants would fund airport safety and development projects, pavement preservation projects, and courtesy car purchases at qualified airports where rental cars are not available. The legislature approved a biennial appropriation for the base and this adjustment, all to be recorded in FY 2006.

**DP 213 - System Plan - Biennial** - The legislature approved increases of \$4,372 state special revenue and \$83,050 federal special revenue for the biennium to provide grants for development of a pavement condition index, land use planning, base plan updates required by the Federal Aviation Administration every five years, and the airport information management system. The legislature approved a biennial appropriation for the base and this adjustment to be recorded in FY 2006.

**DP 214 - Program/Service Adjustments** - The legislature approved increases of \$51,348 state special revenue and \$8,882 federal special revenue for the biennium to fund: 1) maintenance on state owned airports; 2) fuel cost increases; 3) equipment upgrades; 4) education services; 5) search and rescue operations; 6) increased cost due to a new aircraft maintenance shop; and 7) aeronautical promotion brochures.

**DP 215 - West Yellowstone Airport - Biennial** - The legislature approved an increase of \$285,000 federal special revenue for the biennium to fund a project to improve the taxiways and aprons at the West Yellowstone airport. The legislature approved a biennial appropriation and one-time-only funding for this adjustment.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 207 - Runway Rehab Lincoln Airport - Biennial/OTO										
40	0.00	0	119,987	2,279,763	2,399,750	0.00	0	7,487	142,263	149,750
DP 208 - Aircraft Engine and Propeller - Biennial/OTO										
40	0.00	0	32,000	0	32,000	0.00	0	0	0	0
DP 209 - Aircraft Purchase - Biennial/OTO										
40	0.00	0	356,000	0	356,000	0.00	0	32,000	0	32,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
40	0.00	0	14,252	0	14,252	0.00	0	37,005	0	37,005
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$522,239</b>	<b>\$2,279,763</b>	<b>\$2,802,002</b>	<b>0.00</b>	<b>\$0</b>	<b>\$76,492</b>	<b>\$142,263</b>	<b>\$218,755</b>

**DP 207 - Runway Rehab Lincoln Airport - Biennial/OTO** - The legislature approved increases of \$127,474 state special revenue and \$2,549,500 federal special revenue for the biennium to rehabilitate the runway pavement at the Lincoln Airport. The legislature approved a biennial appropriation and one-time-only funding for this adjustment.

**DP 208 - Aircraft Engine and Propeller - Biennial/OTO** - The legislature approved an increase of \$32,000 state special revenue for the biennium to overhaul the engine and propeller of a division-owned and operated 1975 A-36 Beechcraft Bonanza aircraft. The legislature approved a biennial appropriation with one-time-only funding for this adjustment.

**DP 209 - Aircraft Purchase - Biennial/OTO** - The legislature approved an increase of \$388,000 state special revenue for the biennium to purchase an aircraft to replace an existing aircraft used for air search and rescue activities. The legislature approved a biennial appropriation with \$324,000 of the FY 2006 funding as one-time-only.

**DP 6010 - 2007 Biennium Pay Plan - HB 447** - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Proprietary Program Description**

The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1 to September 30. The airport serves as an inter-agency fire control center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft of various sizes. The airport has a terminal building with tenants that provide the following functions: cafe, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The operation of the West Yellowstone Airport is funded from an enterprise type proprietary fund.

**Proprietary Revenues and Expenses**

Revenues for the operation of the West Yellowstone Airport are derived from landing fees, building space rental fees, fuel flowage fees, sales receipts, and non-aero rentals.

Expenses from the fund are for personal services for 1.29 FTE and operating expenses such as janitorial supplies, insurance, facility maintenance, and matching funds for federally funded capital improvement projects at the airport.

**Proprietary Rate Explanation**

Fees for provided services are market based. The program for the operation of the West Yellowstone Airport charges fees that are not approved by the legislature and are based on negotiations with tenants and market factors. For the 2007 biennium, the fees for building leases and the sales receipts for the café and gift shop would increase and the rental of the sewer lagoon to the City of West Yellowstone would be tied to the consumer price index for all urban consumers (CPI-U). Because this is an enterprise type proprietary fund, the legislature does not approve rates.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	59.10	0.00	0.00	59.10	0.00	0.00	59.10	59.10
Personal Services	2,635,132	138,566	82,552	2,856,250	139,721	215,227	2,990,080	5,846,330
Operating Expenses	1,567,249	42,965	375,000	1,985,214	42,947	0	1,610,196	3,595,410
Equipment	22,922	0	0	22,922	0	0	22,922	45,844
Grants	4,872,228	1,271,007	0	6,143,235	1,271,007	0	6,143,235	12,286,470
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$9,097,531</b>	<b>\$1,452,538</b>	<b>\$457,552</b>	<b>\$11,007,621</b>	<b>\$1,453,675</b>	<b>\$215,227</b>	<b>\$10,766,433</b>	<b>\$21,774,054</b>
State/Other Special	1,264,590	1,000,335	102,464	2,367,389	989,838	71,510	2,325,938	4,693,327
Federal Special	7,832,941	452,203	355,088	8,640,232	463,837	143,717	8,440,495	17,080,727
<b>Total Funds</b>	<b>\$9,097,531</b>	<b>\$1,452,538</b>	<b>\$457,552</b>	<b>\$11,007,621</b>	<b>\$1,453,675</b>	<b>\$215,227</b>	<b>\$10,766,433</b>	<b>\$21,774,054</b>

**Program Description**

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grants and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. This planning results in a program that includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

**Program Highlights**

<b>Department of Transportation</b> <b>Transportation Planning Division</b> <b>Major Budget Highlights</b>	
♦	Total fund budget increases \$3.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> <li>• Transit facility and vehicle grants (\$1.9 million)</li> <li>• Transportation corridor studies (\$375,000)</li> <li>• Metropolitan planning grants (\$312,000)</li> <li>• Pay plan adjustments (\$298,000)</li> <li>• Transportation assistance for the disabled and elderly (\$292,000)</li> <li>• Statewide present law adjustments (\$272,000)</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Transportation Planning					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,264,590	13.9%	\$ 2,367,389	21.5%	\$ 2,325,938	21.6%
	02282 Fta Local Match	252,189	2.8%	252,189	2.3%	252,189	2.3%
	02422 Highways Special Revenue	1,012,401	11.1%	2,115,200	19.2%	2,073,749	19.3%
03000	Total Federal Special Funds	7,832,941	86.1%	8,640,232	78.5%	8,440,495	78.4%
	03147 Fta Grants	2,792,162	30.7%	3,741,753	34.0%	3,741,763	34.8%
	03407 Highway Trust - Sp Rev	5,040,779	55.4%	4,898,479	44.5%	4,698,732	43.6%
Grand Total		<u>\$ 9,097,531</u>	<u>100.0%</u>	<u>\$ 11,007,621</u>	<u>100.0%</u>	<u>\$ 10,766,433</u>	<u>100.0%</u>

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are generally fully funded (100 percent) with federal transit administration funds. However, if a match is required it is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities are funded with federal planning and research funds and state special revenue funds at a ratio of 69 percent federal and 31 percent state special revenue for the 2007 biennium. State special revenue funds include just over \$500,000 in local match pass-through authority for the 2007 biennium.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					251,114					252,324
Vacancy Savings					(115,446)					(115,501)
Inflation/Deflation					(489)					(457)
Fixed Costs					249					249
<b>Total Statewide Present Law Adjustments</b>					<b>\$135,428</b>					<b>\$136,615</b>
DP 5001 - SB 448 Transade	0.00	0	145,989	0	145,989		0.00	0	145,989	145,989
DP 5005 - Overtime and Differential	0.00	0	956	1,942	2,898		0.00	0	956	2,898
DP 5006 - Equipment Rental	0.00	0	6,364	25,457	31,821		0.00	0	6,354	31,771
DP 5008 - Accrual Accounting Error	0.00	0	2,277	9,107	11,384		0.00	0	2,277	11,384
DP 5009 - FTA Grants	0.00	0	0	969,101	969,101		0.00	0	0	969,101
DP 5010 - FHWA Metropolitan Planning Grant	0.00	0	31,183	124,734	155,917		0.00	0	31,183	155,917
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$186,769</b>	<b>\$1,130,341</b>	<b>\$1,317,110</b>		<b>0.00</b>	<b>\$0</b>	<b>\$186,759</b>	<b>\$1,130,301</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$1,452,538</b>					<b>\$1,453,675</b>

DP 5001 - SB 448 Transade - The legislature approved an increase of \$291,978 state special revenue for the biennium to increase funding for transportation assistance grants for the disabled and elderly to projected revenue levels.



DP 5005 - Overtime and Differential - The legislature approved \$1,912 state special revenue and \$3,884 federal special revenue for the biennium for overtime and differential pay at the base level.

DP 5006 - Equipment Rental - The legislature approved increases of \$12,718 state special revenue and \$50,874 federal special revenue for the biennium to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 5008 - Accrual Accounting Error - The legislature approved increases of \$4,554 state special revenue and \$18,214 federal special revenue for the biennium to provide funding removed from the base due to an accounting error.

DP 5009 - FTA Grants - The legislature approved an increase of \$1,938,202 federal special revenue for the biennium for transit capital assistance grants to local governments. The projects were submitted through and supported by the Montana congressional delegation. These federal funds would be used to procure or construct transit facilities, purchase transit vehicles, and operate transit vehicles in rural areas.

DP 5010 - FHWA Metropolitan Planning Grant - The legislature approved increases of \$62,366 state special revenue and \$249,468 federal special revenue for the biennium to provide metropolitan planning grants to Billings, Great Falls, and Missoula to conduct transportation planning in urbanized areas.

### New Proposals

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5007 - Corridor Studies (OTO)										
50	0.00	0	75,000	300,000	375,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
50	0.00	0	27,464	55,088	82,552	0.00	0	71,510	143,717	215,227
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$102,464</b>	<b>\$355,088</b>	<b>\$457,552</b>	<b>0.00</b>	<b>\$0</b>	<b>\$71,510</b>	<b>\$143,717</b>	<b>\$215,227</b>

DP 5007 - Corridor Studies (OTO) - The legislature approved increases of \$75,000 state special revenue and \$300,000 federal special revenue for the biennium to fund corridor studies intended to evaluate the existing transportation system within and along specific corridors, and identify how the system could be improved to meet existing and long-term needs. The legislature designated funding for corridor studies as one-time-only.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.